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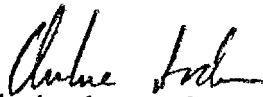
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MEMORANDUM FOR: THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE SECRETARY OF ENERGY
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS
CHAIRMAN, JOINT CHIEFS OF STAFF

SUBJECT: SCC Meeting November 17, 1977 on Petroleum Supply
Vulnerability Assessment

The attached material is forwarded for your information in connection with the SCC meeting scheduled for Thursday, November 17, 1977 at 10:00 - 11:30 a.m. in the Situation Room of the White House.

Attachments


Christine Dodson
Staff Secretary

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Classified by Zbigniew Brzezinski

NSC review(s) completed.

Agenda Paper for SCC Meeting on the
Petroleum Supply Vulnerability Assessment

The purpose of this SCC meeting is to discuss the principal issues and conclusions arising from the interagency assessment mandated by the President of the vulnerability of the United States to disruptions in the world petroleum supply. The assessment was chartered specifically to:

1. Identify and assess the vulnerability of the United States and its allies to petroleum supply interruptions and substantial price increases;
2. Identify the petroleum supply disruption and substantial price increase contingencies for which the United States should be prepared; and
3. Identify and assess the policy options available to the United States to reduce its vulnerability to petroleum supply disruptions and substantial price increases and to cope with these contingencies should they occur.

The Departments of State and Defense produced analyses of the international energy market and of military contingencies with oil supply disruption implications, respectively, to support this effort. The NSC Overview Report (Tab A) synthesizes the results of the two analyses and provides a framework for review of issues and policy options by the Special Coordination Committee.

The discussion of the SCC should aim to produce agreement on:

1. new policies which the US should adopt to reduce the vulnerability of its oil supplies; and
2. those policy areas where further analysis is needed in order to develop alternative policies.

The following are the three principal topics for discussion.

A. The international oil market and the likely economic and national defense impacts of oil price changes or supply interruptions. Chapter II of the NSC Overview Report (Tab A, pp. 1-6) contains the results of analysis in these areas based on a set of data representing a compilation of seven government, academic, and oil industry studies. The discussion should illuminate the reasons for any disagreement with the analysis or with using this Government consensus forecast for developing policy options.

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B. Actions which could lead to supply interruptions or price increases. The seriousness of supply interruptions or price increases, from a national security standpoint, depends upon both their probability of occurrence and the degree of damage they are likely to cause. Chapter III of the Overview Report (Tab A, pp. 6-10) provides a cross section of scenarios which, although not exhaustive, is felt to be adequate for contingency assessment and optional policy development purposes. Those are summarized in Tab A, Annex A. Chapter III also includes recommendations on those contingencies for which the U.S. should be prepared.

C. Policy options available to reduce further U.S. vulnerability to petroleum supply interruptions and oil price increases and to cope better with these contingencies should they occur. To supplement the discussion of this topic in Chapter IV (Tab A, pp. 10-17) of the NSC Report, a matrix has been developed (Tab A, Annex B, pp. 1-8) to facilitate the discussion of policy options.

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Remarks:

*As you have this meeting
has been cancelled, yet to
be rescheduled*

Executive Secretary

16 Nov

Date

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